

## **SUMMARY OF LAWS AND REGULATIONS OF BANK INDONESIA**

Regulation : Circular Letter No.11/17/DPM Dated July 7, 2009 concerning the Procedure for the Provision of Intraday Liquidity Facility Based on Sharia Principles (FLIS)

Effective from : July 7, 2009

Summary :

### **I. PROVISION OF FLIS**

1. BUS/UUS may use FLIS either in the form of FLIS-RTGS or FLIS-Clearing in the event that the BUS/UUS :
  - a. has securities which may be subject to repurchase agreement with Bank Indonesia in the form of SBIS and/ or SBSN;
  - b. has an active status as the member of BI-SSSS; and
  - c. has an active status as the member BI-RTGS and/ or is not subject to the imposition of sanction of suspension as a member of SKNBI.
2. In order to use FLIS, BUS/UUS must first obtain an approval from Bank Indonesia by submitting a written application to Bank Indonesia cq. Directorate of Monetary Management – Monetary Operation Bureau (BI cq.DPM-BOpM), Jl. M.H. Thamrin No.2, Jakarta 10350 by attaching:
  - a. 2 (two) copies of Agreement on the use of FLIS at a maximum;
  - b. Copy of the Bank's articles of association, regional regulation or power of attorney); and
  - c. Other supporting documents in the form of copy of valid identity card in the form of Identity Card (KTP) or passport of the Bank official authorized to sign the agreement and Agreement on the Collateralization of SBIS in the context of

the Repurchase of SBIS and Commitment (*Wa'ad*) to Repurchase SBSN in the context of the Repurchase of SBSN.

3. Bank Indonesia may suspend access to use the FLIS in the event that the relevant BUS/UUS no longer meets FLIS requirements in the future.

## II. REPURCHASE TRANSACTION IN THE CONTEXT OF THE USE OF FLIS

1. In the context of the use of FLIS, BUS/UUS shall repurchase its own SBIS and/or SBSN.

The repurchase of SBIS shall be made by entering into *qard* (loan) and *rahn* (pledge) contract, meanwhile the repurchase of SBSN shall be made by entering into an *al bai'* (sale and purchase) contract along with the *al wa'ad* (commitment) of the Bank to Bank Indonesia to repurchase SBSN within certain period and at a certain price agreed upon.

2. SBIS/SBSN subject to repurchase agreement in the context of the use of FLIS shall be as follows:

- a. when the FLIS is due, SBIS has a remaining term of 3 (three) business days at a minimum and it is not subject to any collateralization to Bank Indonesia; and
- b. when the FLIS is due, SBSN has a remaining term of 11 (eleven) business days, at a minimum and is not subject to any collateralization.

3. SBIS and/or SBSN Repurchase agreement in the context of the use of FLIS shall be entered into by transferring SBIS and/ or SBSN to FLIS-RTGS account or FLIS-Clearing with BI-SSSS.

The transfer of SBIS and/or SBSN shall be made in the following events:

- a. BUS/UUS requires FLIS-RTGS (*self assessment*) during the operational hours of BI-RTGS until the cut-off warning of BI-RTGS system with regard to FLIS-RTGS; and
- b. at the beginning of the day prior to Debit Clearing with respect to FLIS-Clearing.

### III. THE USE OF FLIS

BUS or UUS shall automatically use FLIS in the following events:

- a. The balance of BUS/UUS' giro account with Bank Indonesia is insufficient to settle the outgoing transaction in BI-RTGS system and when securities subject to repurchase agreement for FLIS-Clearing is insufficient for the settlement of Debit Clearing.
- b. The balance of the Bank's rupiah giro t account with Bank Indonesia is insufficient to fulfill the Bank's obligation to settle Debit Clearing

### IV. SETTLEMENT OF FLIS

FLIS shall be settled by no later than the day of the use of FLIS (T+0) until the pre cut-off time of BI-RTGS System automatically by BI-RTGS System any time an incoming transaction is made to the BUS/UUS' Rupiah giro account with Bank Indonesia.

### V. FEES FOR THE USE OF FLIS

1. Bank Indonesia shall impose fees for the use of FLIS with the following calculation:

$$\text{Fees for the Use of FLIS} = \text{Nominal Use of FLIS} \times \left[ \frac{t}{(10,5 \text{ hour} \times 60 \text{ minutes})} \right] \times R \times \left[ \frac{1}{360} \right]$$

Remarks:

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|---|---|--|
| t | = | Period of use of FLIS (in minutes).  |
| R | = | Most recent overnight PUAS weighted average prior to the day of use of FLIS. |

10.5 hours = period as from the opening of operational hour of BI-RTGS System (06.30 West Indonesia Time) to the cut off warning of BI-RTGS System (17.00 West Indonesia Time).

2. Fees for the use of FLIS shall be charged 1 (one) business day after the use of FLIS.

#### VI. TREATMENT TO UNSETTLED FLIS

The value of unsettled FLIS shall automatically be treated as a repurchase transaction with Bank Indonesia for the term of 1 (one) business day and with regard to such transaction, BUS/UUS shall be subject to repurchase fee with the following calculation:

$$\text{Repurchase Fee} = (\text{Repo Rate}) \times (t / 360) \times \text{Nominal use of Purchase}$$

$$\text{Repo Rate} = \text{BI Rate} + \text{certain Margin}$$

$$t = \text{number of calendar day of SBIS/SBSN repurchase}$$

#### VII. OTHER PROVISIONS

The Banks signing the Agreement on the Use and Collateralization of FLIS prior to the coming into effect of this Circular Letter must replace it with the Agreement on the Use of FLIS as the sample attached in this Circular Letter.

#### VIII. CLOSING PROVISION

With the coming into effect of this Circular Letter, Circular Letter of Bank Indonesia Number 7/36/DPM dated August 3, 2005 regarding Procedures for the Provision of Intraday Liquidity Facility for Commercial Banks Based on Sharia Principles shall be revoked and declared invalid.

DPM